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Ninth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 May 1992, at 10 a.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 10.20 a.m.

SYSTEM OF CONSULTATIONS (continued) (IDB.9/2 and Corr.1, IDB.9/10, chap. III, paras. 1-13, IDB.9/14, IDB.9/15; ID/378-380)

1. Mr. AKPAN (Organization of African Unity) said that OAU fully supported the proposals contained in document IDB.9/15, especially as regards the regional consultation on the building materials industry in Africa. African countries faced considerable problems in that area, including the underutilization of capacity. Production always seemed to be lower than demand, so that prices were high and the gap had to be bridged through imports. The issues proposed in paragraph 16 for consideration during the consultation were most important, but he wished to suggest that greater emphasis be laid on the development of new and local building materials and that due attention be paid to attitudes, quality and cost-effectiveness. The major problem lay in how to develop the indigenous entrepreneurship required. It would seem appropriate for the regional consultation to propose ways in which investment resources might be mobilized. It would also be useful for UNIDO to identify concrete projects and to invite persons responsible for housing as well as government officials to participate in the consultation. He welcomed the proposed regional consultation on the iron and steel industry in Africa, and especially the offer made by Algeria to act as host.

2. Mr. LATORIUE (Director, System of Consultations Division) said that the first question to which he wished to reply was on the relationship between the System of Consultations and the investment programme. In the past there had often seemed to be little contact between them, but sound cooperative relations and coordination had now been established. Practical modalities for greater interaction between the System of Consultations and the investment programme were currently being examined. The representative of Indonesia had called for a report on the harmonization of activities to be submitted to the Board at its tenth session; he regretted that it would be impossible for that to be done in the time available, but believed that such a report could be submitted at the eleventh or twelfth session.

3. The representative of Hungary had questioned the value of regional meetings. The Board often called for more regional consultations and the

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Secretariat tried to strike a balance between regional and global meetings. Four regional and two global consultations had been proposed for 1994-1995. One of the problems with regional meetings was that they could not always be held in the regions concerned, owing to budgetary constraints. He hoped that the means might be found whereby UNIDO could assist countries to organize meetings concerning them in their own regions.

4. Topics considered in the System of Consultations should, of course, be matters on which UNIDO already had special knowledge. Sometimes, however, it was led to expand its expertise as a result of consultations, as it had done, for example, after organizing consultations on sugar and fisheries. Such activities widened its horizons.

5. As regards the selection of participants, the Secretariat had made considerable efforts to encourage the representatives of the private sector to attend consultations and was beginning to get results. For example, at a consultation being held in Innsbruck next month 70 per cent of the participants came from the private sector. The rules of procedure for the consultations prevented the Secretariat from inviting industrialists directly. Invitations were sent to ministries of foreign affairs, which were responsible for forming delegations. Some ministries contacted their counterparts in industry, but not all of them did so. The Secretariat had included a special paragraph on the desired profile in the correspondence sent out with invitations indicating the type of expertise expected in participants. Its aim was to obtain participants in the consultations with the necessary background who came from Governments, research institutes, trade unions and the private sector.

6. The consensus rule for the adoption of recommendations had been criticized during the debate, but it was part of the rules of procedure and could not be circumvented.

7. A follow-up plan for the consultations had been prepared, indicating what needed to be done by whom in UNIDO, by other agencies and by the Member States concerned.

INDUSTRIAL INVESTMENT PROMOTION (IDB.9/7, IDB.9/10, chap. III, paras. 34-44)

8. The PRESIDENT drew the Board's attention to the introductory statement to the item which had been distributed that morning (IPCT/II).

9. Mr. AKPAN (Organization of African Unity) said that OAU was concerned by the possibility that, for lack of resources, UNIDO might not be able to carry out its investment promotion work beyond the indications given in paragraph 4 of document IDB.9/7. He would welcome clarification of the purport of the last sentence of paragraph 5. He highly commended the orientation of UNIDO's future activities as described in paragraph 7.

10. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the measures taken to respond to the evaluation report on UNIDO's industrial investment activities described in document IDB.9/7, but noted that not all the action requested had been taken. He wished to encourage the Secretariat to develop as a matter of urgency clear terms of reference and minimum standards for the selection and assessment of projects, minimum standards for the selection of sponsors and clear terms of reference and minimum standards for the selection of consultants for projects. The Guidelines referred to in paragraph 34 (b) did not include those criteria.

11. He noted the marked growth in the number of requests for assistance that had been received and hoped that due attention was being paid to quality criteria. He would be glad to hear details of actual and potential investment arising from those activities in the form of signed contracts or memoranda of understanding. He welcomed UNIDO's cooperation with international, regional and bilateral financial institutions, but hoped that the Director-General would provide more information on the way in which such cooperation was organized and on its results.

12. Referring to the comprehensive and integrated industrial investment technical cooperation programmes mentioned in paragraph 26, he stressed that UNIDO should concentrate on encouraging small and medium-scale enterprises and on reinforcing the capacity of recipient countries to attract foreign investment. UNIDO's activities should support national initiatives and be closely coordinated with the programmes of other organizations active in the field.

13. The IPS offices could be important instruments for investment promotion, providing a useful network for direct contact with private enterprise. He welcomed the efforts made to improve coordination between those offices and Headquarters, but believed that more needed to be done, and would be interested to learn how the Director-General proposed to strengthen such coordination.

14. Mr. NDIAYE (Senegal) reminded the Board that the General Conference at its fourth session had expressed deep concern about recent trends in the flow of direct foreign investment towards the developing countries and had in particular, by resolution GC.4/Res.17, called for the more effective promotion of such activity. One of the main obstacles to the development of Africa continued to be the dearth of investment resources, and his Government was deeply concerned by the decline in external financing, particularly in the industrial sector. An investment forum was to be held in Dakar in December 1992, preceded by another one organized by the G15 Group in November. His delegation welcomed the improvements which the Director-General intended to introduce in order to increase the effectiveness of the Industrial Investment Division. African Governments wished to give the private sector a greater role in implementing the Second Industrial Development Decade for Africa.

15. Mr. PONCE (Bolivia), referring to the Organization's financial situation, said that while prompt payment of contributions was essential to ensure efficient working, sound management of available resources was of equal importance. As regards the development and transfer of technology, he believed that UNIDO should continue to make efforts to ensure that production was closely associated with the

transfer of technology. He hoped that it would also promote the progressive development of indigenous technology through investment.

16. UNIDO had been set up in 1967 for the purpose of fostering industrial development in the developing countries, but it was an open question whether it was fulfilling its objective. In his country's view, there was an urgent need for the Organization to be restructured. Its concern was not simply with deciding whether there should be three or five deputy directors-general, but went much deeper. UNIDO should set itself to bridge the gap between the rich and poor societies into which the world was at present divided.

17. His country had made sacrifices in facing up to its responsibilities in recent years. It had carried out considerable macroeconomic structural adjustments and achieved one of the lowest inflation rates in Latin America. Investment laws had been enacted, and a clear and simplified tax system set up. There was free conversion of currencies, and there were no restrictions on the repatriation of dividends. There were no limits on the participation of foreign capital in shared-risk operations, and a privatization process had been launched. In addition, Bolivia was a democracy. Bolivia had thus created attractive conditions for foreign investment from the developed world, and it seemed to him that the sacrifices made by his people deserved a positive response from the international community.

18. Referring to document IDB.9/7, and particularly part III - Action required of the Board, subparagraph (b), concerning the need to provide guidance as to the financial resources required to enable the regional investment promotion studies to be undertaken, he said all were aware of UNIDO's current financial crisis and its problems in attracting funds. But it should be taken into account that the positive results achieved by a country such as his own had been achieved against a background of debt servicing that continued to absorb some 30 per cent of the value of its exports, which meant Bolivia could not make the investment required to promote its own industrial development. His Government had planned appropriate mechanisms to deal with its external debt, such as, for example, the "debt for development" approach, which was gradually achieving positive results. Other United Nations bodies, such as UNDCP, were studying the possibility of creating an alternative development fund from the debt burden. UNIDO might usefully look into that possibility with regard to investment promotion.

19. He expressed his country's gratitude to the Organization for arranging national promotional events on eight occasions in 1991. He repeated the request that investment projects might be launched as rapidly as possible in the fields of biotechnology, the agro-industry and others. He expressed his gratitude for the efforts made by the UNIDO training programme on investment to extend its activities to the Andean Pact countries.

20. Mr. BLANCHET (Observer for Argentina) drew attention to the profound structural changes that his Government had introduced to combat inflation, speculation, the high cost of money and the low rate of investment. At the same time, a vast regional grouping - Mercosur - had been set up with Brazil, Paraguay and Uruguay, with encouraging results. Nevertheless, the Argentine economy needed modern industrial plant, and consequently a large influx of capital. The main thrust of economic policy at the present time was to promote industrial investment, productivity, technological innovation, higher quality, training and access to markets.

21. Argentina was particularly interested in strengthening its cooperation with UNIDO through private manufacturing enterprises. Many opportunities for cooperation were available on such matters as in the selection of experts and technologies, training courses, quality and productivity evaluation, sources of financing and joint ventures. Much was expected of the project to establish an investment promotion centre in Buenos Aires, whose purpose was to attract national and foreign investment and to link the local economy with the world economy.

22. In conclusion, he sincerely hoped that UNIDO's financial and structural difficulties would soon be overcome, enabling it to meet the pressing industrial needs of the developing countries.

23. Mr. TADESSE (Ethiopia) said that the success of the industrial investment promotion programme depended directly on the number of projects that were promoted and on the extent to which national capabilities were strengthened. For those purposes, financing was required from such sources as UNDP, bilateral donors, trust funds and development banks.

24. He outlined Ethiopia's economic situation, characterized by low investment levels, which placed a major constraint on growth. The manufacturing sector made only a modest contribution to the national economy. An investment strategy based mainly on large-scale projects coupled with an anti-democratic political leadership and the resultant civil war, as well as drought and natural calamities, had resulted in poor industrial performance.

25. The fundamental requirement for an effective industrial investment promotion programme was the availability of financial resources. Ethiopia, though a least developed country, had a consistent record of settling its obligations to UNIDO on time, which clearly showed its commitment to industrial development. It would pay the 1992 portion of its contribution within the next couple of months, which would, he hoped, encourage other Member States to do the same and settle their arrears. Only when that had been done could there be meaningful talk of industrial development in general and investment promotion in particular.

26. He was pleased to note a steady expansion in the industrial investment promotion programme in 1990-1991 and the marked increase in new requests for assistance. The strategy adopted had continued to emphasize the regional focus, integrated programmes for the mobilization of investment resources, and the development of bankable projects, particularly concerning marketing, and related training.

27. He wished to propose, first, that the implementation of investment projects should involve technology transfer through the acquisition of new equipment, licensing and the training of plant operators in the priority areas of industrial rehabilitation and small- and medium-scale industries. Secondly, assistance

should continue to be provided for the identification and promotion of investment projects for the establishment of new plants and the expansion or rehabilitation of existing ones. Thirdly, appropriate policies should be defined to support industrial infrastructure and services and to strengthen local capabilities, in order to create a healthy investment climate as a means of fostering the economic integration of different regions.

28. Mr. RIHA (Czechoslovakia) pointed out that, as the demand for foreign investment grew, it was of special importance for countries lacking capital resources to be able to prepare viable projects and to find appropriate partners for their implementation. UNIDO's industrial investment programme should provide effective assistance for that purpose, particularly in the case of small- and medium-scale private industries. He therefore highly appreciated such activities as the enterprise-to-enterprise workshop carried out in cooperation with the Spanish bank Banesto for agricultural and food-processing enterprises in Hungary, Romania and his own country.

29. It was gratifying to note that the reorganization of the Industrial Investment Division had resulted in an expansion of the programme. He supported greater integration of pre-investment feasibility studies and investment promotion. Cooperation and coordination between UNIDO and development agencies and international financial institutions, both within and outside the United Nations system, were extremely important.

30. The investment forums organized in cooperation with UNIDO required careful preparation and dynamic follow-up. One such forum held in his country in November 1991 had generated a number of interesting projects and attracted strong interest from foreign partners. He looked forward to further assistance from UNIDO for the follow-up.

31. In conclusion, he called for a special effort to secure extrabudgetary resources to finance regional investment promotion studies.

32. Mr. BAKSHI (Pakistan) observed that the developing countries were currently giving very high priority to investment promotion. The basic problem was that, while most of them had liberalized their investment laws and regimes, not enough investment funds were available. Moreover, out of the global supply, an enormous amount was being diverted to those countries and regions which were trying to convert their economies from centrally-planned to free-market systems. Although, strictly speaking, most of those countries should not be classified as developing, they were nevertheless competing for the funds available. The developing world therefore justifiably expected UNIDO to safeguard its interests.

33. While the final act of investment was up to the investor concerned, the process of bringing a potential investor closer to an investment opportunity remained crucial. As in so many other spheres, UNIDO had a catalytic role to play in that respect. He supported the proposal to undertake a study of regional investment promotion, analysing its impact on regional economic integration and development. At the same time, developing countries should be helped to generate investment funds from within their own economies. Suitable strategies could be developed for that purpose by studying the success achieved by some developing countries.

34. Mr. YOGASARA (Indonesia), speaking on behalf of the member countries of the Association of South-East Asian Nations represented on the Board - Indonesia, Malaysia, the Philippines and Thailand - said that, in accordance with decision IDB.8/Dec.33, the Director-General should examine the possibility of combining single consultations with investment promotion meetings and of increasing the participation of industrial partners in consultations. From documents IDB.9/7 and IDB.9/15, however, there seemed to be no linkage between investment promotion activities and the consultations programme, so coordination between the divisions concerned should be strengthened. Every regional consultation meeting should be followed up and linked to regional industrial investment forums relating to the same sectors. Thus, the proposed consultations for 1994-1995 should be combined with investment forums in Africa, Asia and the Pacific and in Latin America and the Caribbean on building materials, the leather and leather products industry, downstream petrochemical industries and so on. When preparing consultation programmes and identifying and promoting industrial investment opportunities, UNIDO should aim at the establishment of joint ventures between developing countries in the regions concerned.

35. Mr. SZABO (Hungary) said it was gratifying to note the results of the activities of the Industrial Investment Division and the opening of several new IPS offices, whose costs would be borne by the host countries. UNIDO had a particularly important part to play in helping small and medium-scale enterprises to find partners, so it would be useful to have a breakdown of successful deals.

36. Since fears were sometimes expressed about the impact of foreign investment opportunities in Central and Eastern Europe on the flow of resources to the developing countries, he drew attention to a World Bank study stating that the volume of such investment was insignificant in relation to world foreign investment as a whole. In addition, much of the capital came from small- and medium-scale entrepreneurs who would never contemplate overseas investment.

37. While welcoming the proposed regional studies, he called for the introduction of an interregional element, possibly linking the Arab, Mediterranean and European countries. Attention should also be paid to the differences in the economic environments of the Central and Eastern European countries.

38. In addition to direct promotional activities, assistance should be given to institutions involved in the investment process. For that purpose, feasibility manuals and training programmes would be greatly appreciated. Consideration could also be given, perhaps, to fostering links through UNIDO between national investment authorities and agencies. Finally, UNIDO could usefully provide advice to developing countries on the problems faced by consulting engineering services, which were a key element of the whole investment process.

39. Mr. NEGRU (Romania) drew attention to the wide discrepancies between the various Eastern European countries in the number of industrial

investment projects promoted. Results in some of them were promising, whereas in others, such as Romania, not a single industrial investment project had been finalized by UNIDO. Furthermore, there had been no feedback on the industrial investment project profiles drawn up in Bucharest and sent to Headquarters. He therefore hoped that the Secretariat would make an effort to increase the number of industrial investment projects in Romania and to provide the joint UNIDO-Romania Centre with access to the network of Investment Promotion Services and to the Investment Promotion Resources Information System.

40. A project funded by the French Government, concerning investment opportunities in four Eastern European countries, including his own, was now in progress, and it was expected that some of the project profiles would attract French investors. His country would also like to receive assistance from UNIDO in mobilizing financial resources and in improving its risk rating in international financial circles. It was particularly interested in programmes partially financed by leading development institutions, donors or industrial companies. Romania was ready to participate in studies on investment opportunities in European countries, the restoration of commercial links among them and cooperation among countries of the Black Sea region.

41. Mr. WANG Zhixi (China) said it was gratifying to note that UNIDO's investment promotion programme had continued to expand in the past year. Several investment meetings had been organized, leading to the formulation of a number of projects, while an effort had been made to expand the IPS system.

42. At a time of dramatic change in the international situation and in the United Nations development system, UNIDO faced serious challenges to its technical cooperation activities and its financial resources. Investment promotion activities would gain in importance, with the Industrial Development Fund and special trust funds becoming an important component in future work. Investment promotion was an area of great potential. As a United Nations agency, UNIDO enjoyed the advantage of an extensive network of connections and channels, of which full use should be made. The emphasis should always be placed on practical results. In particular, an effort was needed to improve the follow-up to investment promotion meetings and to strengthen cooperation with outside agencies and between Headquarters and IPS centres. UNIDO should act as a bridge and a matchmaker between Governments and enterprises in the advanced and the developing countries, while stimulating South-South cooperation. At the present time, many developing countries needed external assistance to improve their investment environment and to attract foreign capital. In addition, UNIDO could usefully prepare publications of interest to the advanced countries on the investment needs of the developing countries.

43. In September 1992, UNIDO and China were to organize a technical cooperation and investment forum for China's five North-West provinces, to which interested entrepreneurs from all countries would be invited. The North-West region was relatively backward in its economic development, with little access to foreign cooperation. However, it had rich natural resources and there was considerable potential for development. In such a region UNIDO could exploit its specific advantages to the full. It was hoped that with the active participation of world business circles it would prove possible to launch a number of projects in that region.

44. Mr. STARSHINOV (Russian Federation) noted the increased effectiveness of the investment promotion programme, which his delegation fully supported. However, more stress should be placed on regional cooperation. Regional investment forums should be organized, without awaiting the completion of studies on the subject, which would be too expensive in the Organization's current financial situation. An analysis of UNIDO's existing regional investment activity and the prospects for the future could be carried out by the staff of the Industrial Investment Division.

45. UNIDO's action in promoting industrial investment could become more effective if more attention was paid to studying the investment climate in individual countries and regions, making appropriate recommendations to Governments, helping them to draft investment legislation and to set up national machinery to attract foreign capital and drawing up recommendations to Governments in conjunction with the regional programmes on the advisability of attracting foreign investment to specific regions and economic sectors.

46. The Russian Federation was interested in active cooperation with UNIDO on industrial investment. The re-establishment of commercial links between the former Soviet Union and former CMEA member States, highlighted in paragraph 29 of document IDB.9/7, was not all that was needed to promote economic and industrial cooperation in Central and Eastern Europe. In the Russian Federation, the legislative basis had now been established for a successful investment process during the phase of transition to a market economy. The proportion of investment undertaken by companies with their own capital had increased from 3 to 50 per cent, although in absolute terms it was still far from enough. It was the task of the Russian Government to implement a new investment policy, helping companies to organize investment horizontally, with the aid of both national and foreign commercial institutions. In accomplishing that task, it counted on the assistance of UNIDO, as well as that of other international and national organizations.

47. Mr. SCHAAD (Germany) said that his Government considered industrial investment promotion to be one of UNDO's most important tasks, but an area in which the Organization had not yet fully responded to the new challenges that had emerged as a result of recent political changes. The in-depth evaluation of UNIDO's investment promotion activities in 1990 had provided important ideas for the future work of the Organization. Those recommendations should be translated into action as soon as possible. In particular, the quality of UNIDO's project profiles needed to be improved. An increase in the number of requests from developing countries did not necessarily mean an increase in the quality of its activities. Unless UNIDO intensified its endeavours considerably, IPS offices would get their projects directly from developing countries. While that was not necessarily a bad thing in itself, it would mean ultimately that UNIDO would lose supervision and control and the chance to coordinate in the field.

48. An expansion of the delegates programme in IPS offices would only make sense if there was a

continuous flow of well-prepared projects suitable for promotion coming from UNIDO and its focal points, especially UCDs.

49. Since many of the projects generated by UNIDO in developing countries were particularly suited for South-South cooperation, the Organization should be more active in that field. With the overall flow of capital from developed to developing countries declining in recent years, UNIDO should put more emphasis on regional and interregional cooperation among developing countries. Its investment promotion activities should be linked to the relevant activities of chambers of commerce and investment centres such as national and regional trade fairs. Its investment forums could be useful, but only if the private industrial sector was involved through cooperation with chambers of commerce, economic associations and entrepreneurs. Since investment promotion was one of the Organization's key activities, the role of the Industrial Development Division, its working conditions, administration, organization and budget should be upgraded. Any economies imposed on the Organization by its financial difficulties must not affect that Division.

50. The PRESIDENT said that, before declaring the debate on item 10 closed, he would give the floor to the Secretariat to reply briefly to the questions raised. The Secretariat would submit more detailed replies in writing the following day.

51. Mr. DEROY (Director, Industrial Investment Division) said that the task of assessing the quality of projects was unending. The picture was an uneven one, with quality ranging from poor to excellent. There had, however, been praise for the quality of UNIDO projects from outside sources. With regard to the question of networking, efforts were under way to transform the piecemeal approach of investment forums into a more highly organized and continuous activity which would exploit modern computerized network facilities. With regard to the transition between investment promotion and the financing of projects, experience had shown that approaching international institutions such as the World Bank was very difficult. However, the Organization had very specific contacts with the various regional development banks, which welcomed the opportunity to review the Organization's basket of completed projects, since for them development of a project was an extremely costly process. Citing two recent examples, he referred to a meeting in London, inter alia, to consider financing IID-concluded projects in Poland, and an agreement reached with the Asian Development Bank to examine possible financing of projects developed for the December 1992 Nepal forum.

52. Mr. GUTIERREZ (Chile) asked that the written replies to be submitted should include a clarification. When reference was made to the financing of projects with regional organizations, was the financing envisaged to be total financing, co-financing, or partial financing?

UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.9/8)

53. The PRESIDENT referred members of the Board to the introductory statement by the Secretariat on agenda item 11, which had been distributed that morning in written form as a time-saving measure.

54. Mr. AKPAN (Organization of African Unity) said that OAU was particularly concerned about the possibility of a future decrease in the UCD programme. Africa needed more assistance from UNIDO, not less. OAU therefore supported the proposals contained in document IDB.9/8, paragraph 11, and appealed to all donor countries to provide increased resources to support the UCD programme. It would, however, welcome a clarification of the appeal to UCD host Governments to increase their participation in the financing of local operating costs. What were those costs and how would they affect UNIDO resources allocated to the UCD programme?

55. Mr. WANG Zhixi (China) said he had noted the contents of document IDB.9/8 with concern. The UCD programme was an important activity and both Member States and UNIDO had a responsibility to help achieve the targets laid down in decision IDB.8/Dec.14. Above all, it was essential to make sure that the number of UCDs did not gradually decline. He therefore urged the Secretariat to pursue its efforts to find new sources of funding and appealed to the advanced countries to maintain or increase their contributions.

56. As the international situation evolved and the focus of UNIDO's work shifted, the responsibilities of UCDs should be expanded to include not just the implementation of UNDP projects but the provision of services for investment promotion and other activities. He also hoped that UNIDO would strengthen the technical expertise available at UCD offices and make them more efficient.

57. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, noted with concern that the UCD programme might be drastically curtailed in the years ahead for lack of financial resources. Should the number of such posts decrease significantly, UNIDO's operational activities would be seriously jeopardized. The target of the UCD programme had been set at 50 posts, and no effort should be spared to attain that goal. In principle he favoured a decentralization to the country level. Decentralization did not, however, mean an increase in the total administrative costs for UNIDO. Nor did strengthening the field apparatus mean greater independence for the Country Directors. The UCD programme was a good example of constructive cooperation between UNIDO and UNDP, and he welcomed the integration of UCD offices within UNDP field offices. He appealed to the Secretariat to redeploy funds within the regular and operational budgets for the UCD programme and called upon host countries to cover at least the local office costs of such posts.

58. Mr. SOOKSMARN (Thailand), speaking on behalf of the ASEAN members of UNIDO, was concerned to note that a reduction in UCD posts was expected by the year 1995; whereas an increase to the target of 50, or, at the very least, maintenance of the existing number of posts, was necessary if developing countries' needs were to be met. Of the three sources of financing for the UCD programme, the first, UNDP funds, would cover the cost of 26 posts in 1992. Allowing for inflation, however, the number of UNDP-financed posts would be eroded at a rate of one post every year. Nor could a fall in the number of posts financed from the second source, the operational budget, be ruled out, if the decrease in income resulting from the successor arrangements was taken into account. As for the third source, voluntary contributions, only three posts were currently

funded by such means, and that number was as likely to fall as to rise. Unless measures were taken to halt the trend, some UCD posts in each developing region would have to be terminated, with the countries themselves faced with the invidious task of choosing which posts to sacrifice.

59. A new combination of funds from various sources should be found, with a view to increasing the number of UCDs to the target of 50. The first priority was for UNDP to increase its contributions, and for UNIDO to do so proportionately, either from the operational budget or, if necessary, from the regular budget. The second priority was voluntary contributions. He noted with appreciation the contributions already made by donor countries, especially Germany and Italy, and would urge them to give more, while appealing to all those who had not yet done so to make voluntary contributions of their own. Contributions by host countries should be accorded the lowest priority, since most of the developing countries could not afford them. When such contributions were to be made, they should not be arranged unilaterally by UNIDO on a selective basis. Instead, proper criteria should be established by the Board and applied to all Governments and geographical regions.

60. Mr. NDIAYE (Senegal) said that, at its tenth meeting, the Conference of African Ministers of Industry had recommended that, failing a decision to set up a UNIDO regional bureau for Africa, the General Conference should increase the number of UCDs in Africa. The African countries were thus concerned to note, not only that the number of UCDs in Africa had not increased in 1992, but that financing had been secured for only 23 UCDs in the period 1994-1996. The very success of the programme of the Second Industrial Development Decade for Africa was at stake. He therefore called upon the Director-General and the industrial countries to ensure that, for the period of the Second Decade the number of UCDs for Africa was commensurate with the needs of the African countries.

61. Mr. KUME (Japan) said that his delegation had repeatedly urged UNIDO to meet the specific needs of developing countries by establishing a field network. The statistics cited in document IDB.9/8 revealed the serious budgetary constraints affecting the UCD programme. His delegation found those statistics worrisome, particularly in view of the difficulty of identifying extrabudgetary resources. To deal with that situation, his delegation proposed that the strengthening of UNIDO's field network should be a key topic in any restructuring debate in the near future.

62. Mr. ASHRI (Saudi Arabia) sympathized with those countries that feared a reduction in the number of UCD posts. He hoped that UNIDO would endeavour to overcome the financial obstacles and discuss with UNDP funding for a fixed number of such posts rather than the allocation of a specific amount. Member countries should provide the funds necessary to maintain the current number of posts and should consider financing additional ones. He thanked Italy and Germany for funding three posts in 1992 and urged host countries to contribute towards local costs, as had been done by Indonesia and Turkey.

63. Ms. SUNYAKOVA (Russian Federation) said that the serious crisis affecting the UCD programme could only be ended if host countries and donors were willing to provide further financial support. Regarding the decentralization of UNIDO's activities, her delegation felt that the ideal solution would be to set up regional and, where necessary, subregional offices as had been done by other international organizations such as the International Labour Organisation and the World Health Organization. However, that might be more than UNIDO could afford at present. Her delegation therefore requested that the Director-General should study the issue of the establishment of UNIDO regional offices in Africa, Asia, Latin America, the Near East and Europe, and report to the ninth session of the Programme and Budget Committee, to the eleventh session of the Board, and to the fifth session of the UNIDO General Conference.

64. Mr. AYADI (Observer for Algeria) said that his delegation had been concerned to learn of the difficulties in financing the programme and the possible cut in the number of UCDs. Decision IDB.8/Dec.14 was perfectly clear on the principles by which action in that area should be guided and the Director-General had been requested to take steps on those lines. He regretted that document IDB.9/8 did not contain the information needed, in particular on the results of the negotiations that were supposed to take place between the Secretariat of UNIDO and the Secretariat of UNDP. Member States did not possess all the elements they needed to make a decision. However, funding for the programme at its current level seemed to be assured through 1996, and there would thus be time for more thinking on the question of financing it and ways and means of improving its operation. The challenges that lay ahead for UNIDO meant that it should focus on the country level and strengthen its activities in the field. That would only be possible with financial support, including voluntary contributions, and if necessary the redeployment of funds from the regular budget. It would also be necessary to enter into appropriate negotiations with UNDP on the cost of the UCD posts. There was reason to believe that important savings could be made. No effort should be spared to reinforce a programme which had the support of all Member States.

65. Mr. WOTAVA (Austria) said that his delegation fully shared the concern that had been expressed by several representatives about the possible decrease in the number of UNIDO field offices, to which it attached the greatest importance. He noted that the representative of Senegal had expressed concern that not enough UCD offices could be established in Africa because of financial constraints. In the circumstances, it might be useful for OAU to open an office in Vienna in order to maintain contact with UNIDO on behalf of countries which did not have missions there. The Government of Austria was ready to extend all possible assistance in the establishment of such an office.

66. The PRESIDENT said that the debate on item 11 was concluded. The Board would revert to it for the sole purpose of adopting a decision on the subject.

CONDUCT OF BUSINESS AND RATIONALIZATION OF PROCEEDINGS (IDB.9/13; IDB.9/CRP.2)

67. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the Member States of the European Community, said that they had long been concerned about the conduct of business in the

Board. An overloaded agenda made in-depth discussion of important agenda items impossible. He recalled the concern expressed by the Board in its decision IDB.8/43 and the recommendation of the Fourth General Conference for a rationalization of proceedings and a reduction in the length of future agendas.

68. He commended the paper put out by the Secretariat (IDB.9/13) and said that he understood the difficulties outlined in its paragraphs 5 to 8. The revised format for annual reports set out in paragraph 9, and the regrouping under major headings outlined in paragraphs 10 and 11, offered a way forward.

69. Unfortunately, documentation was not the real problem. The first three paragraphs of the paper made it clear that attempts to cut agendas to the minimum had failed completely. Indeed, the opposite had taken place. The Board must therefore consider again which subjects it needed to take up annually or biannually, and which could be considered at longer intervals. Discussion should be concentrated on those items which required decisions by the Board and were of direct interest to the Organization, and the repetition of routine items should be avoided. Obviously, opinions on the relevance of specific subjects would vary according to the interests of Member States. It was important, however, to have some kind of consensus on the frequency with which all major issues should be debated. That was the first question that should be addressed, and a reduction in documentation would follow.

70. The proposals outlined in paragraphs 10 and 11 of the Secretariat paper would be a step forward. He welcomed the proposal in paragraph 13 (c) that the Board should have before it at each session a report on two or three of the priority problem areas and common elements of the medium-term plan. He would like a clarification, however, of the recommendation in paragraph 13 (b). If concentrating the discussion on the annual report meant neglecting other agenda items, that would be unacceptable.

71. In conclusion, he reminded Member States that the basic duties of the Industrial Development Board were set out in paragraphs 3 and 4 of Article 9 of UNIDO's Constitution. Those duties were clear, and a decision should be reached on the issue at the current session.

72. Mr. WOTAVA (Austria) said that an improvement in the Board's own working methods and habits could go a long way towards the necessary streamlining and reform of UNIDO. There was a striking difference in atmosphere between UNIDO meetings, such as the 1991 General Conference, and those of other agencies' governing bodies. That could be accounted for by a number of factors. The negative attitude of some participants tended to be contagious. Delegations coming from abroad did not usually know each other beforehand, and there was little chance in a single week to establish the informal contacts which could be so useful in governing an organization. Even among the Vienna-based delegations, there was not the constant interchange of views that would come from frequent meetings throughout the year. Furthermore, relations between representatives and the Secretariat, which were essential for the success of any operation, were not as easy as they should be in all cases.

73. Apart from the written Constitution and rules of procedure, there was always a body of unwritten rules which must be adhered to in order to make a conference work. For instance, towards the end of the time allotted there must be some give-and-take among the various groups in order to achieve a consensus. The views of the Secretariat on representatives' suggestions should be listened to, and the fact that time was precious must be respected. Such unwritten rules were essential, and if even a single delegation ignored them, the resulting frustration and exasperation could poison the whole atmosphere.

74. In earlier times there had been more industrial specialists at UNIDO meetings, but for some years the meetings had been dominated by members of permanent delegations, who tended to be generalists. It could be quite difficult for a generalist to take a passionate interest in industrial development or to evaluate the work of the Organization.

75. He had drawn attention to those rarely discussed aspects because, in the opinion of his delegation, the members of the Board should not simply go on as usual, reading the same statements, adopting identical decisions, lamenting the financial difficulties and going home with a sigh of relief that another meeting was over. Ways of changing those attitudes should be sought through informal channels.

76. In his delegation's opinion, the documentation provided for the session compared quite favourably with that of other organizations from the point of view of bulk and readability. According to the Secretariat paper, the decision to consolidate the Board's documentation into a single document had been found impractical. Such situations tended to occur as the result of hasty decision-making under pressure of time. If the Secretariat thought that any decision about to be taken was impracticable, it was its duty to say so right away and to state its reasons, and delegations should listen before taking any decision.

77. The governance of UNIDO could and must be improved. Streamlining agendas and cutting the average speaking time would be valuable steps, but they would not address the real problem, which was a lack of genuine belief in the Organization.

78. Mr. VENTURA (Mexico) said that although the Board had held more sessions since 1990, it continued to suffer the same problems of shortage of time for detailed discussion of matters of policy. In the last two years, it had unfortunately had to concentrate on administrative matters at the expense of other items. The discussion of the current item should be the start of a period of reflection, not only on the organization of meetings but also on UNIDO's work as such.

79. In addition to trying to rationalize agendas with a view to a more detailed consideration of substantive items, thought should be given to making better use of the meetings of experts organized by UNIDO, in particular those of the Director-General's Special Advisory Group, which met each year but went virtually unnoticed by the governing bodies. That would enable the conclusions of the experts on industrialization to be channelled into specific action proposals. Similarly, the other expert meetings convened by

UNIDO could also be made use of by the Board, if steps were taken to see that representatives of the government, private and academic sectors participated in them and if their conclusions contained specific recommendations on important matters which could be the subject of substantive negotiations. The follow-up mechanism for those proposals would be the Board, as in the case of the conclusions of the meetings of the System of Consultations. The proposal could lead to an exercise in which, in the long term, the possibility could be envisaged of enabling UNIDO to work through committees or groups of experts with specific mandates, on the lines of those in FAO or UNCTAD, whose discussions would give rise to a political and technical debate that would be more useful to Member States.

80. As far as the Secretariat's proposals in document IDB.9/13 were concerned, he believed that the proposal to organize the Board's agenda on the basis of the major programmes and subprogrammes of the programme and budget document would be contrary to the General Conference's proposal that it should focus on substantive items. There would also be a risk of fragmenting the current procedure still further. The proposal to concentrate the discussions on the annual report of the Organization seemed acceptable, provided the document was what it should be: a balanced, objective and clear report of the Organization's activities. The idea that two or three special reports on priority elements of the medium-term plan should be provided at each session of the Board seemed useful.

81. Similar thinking should be applied to the work of the Programme and Budget Committee, so that Member States could participate to a greater extent in the preparation of the programme and budget document from the earliest stages.

82. Mr. VETTOVAGLIA (Switzerland) said that the streamlining and reorganization of the work of the policy-making organs was vitally important, given UNIDO's limited resources. The papers prepared by the Secretariat to that end (IDB.9/13, IDB.9/CRP.2) were hardly satisfactory. Instead of trying to achieve the restructuring requested by the General Conference in its resolution GC.4/Res.26, they seemed to prefer to draw attention to the difficulties encountered and leave things as they were. The Board had no choice in the matter; sooner or later the General Conference's resolution must be implemented. It was true that nearly all the agenda items proposed for the tenth session had been imposed by decisions of the General Conference and that the Board had no power to change them, but it was vital that, from the eleventh session onward, restructuring should be started on the lines of paragraphs 12 and 13 of the Secretariat paper, in particular subparagraphs (a) and (c). His delegation trusted, therefore, that the two or three topics to be considered in depth would be selected before the next General Conference.

83. He emphasized that rationalization could not be merely theoretical. Setting priorities and reorganizing the work of UNIDO's policy-making bodies was essential if UNIDO was to be able to compete with other international organizations. If it wished to survive as a specialized agency, its efforts must be targeted. It must recognize that public money for development assistance was dwindling and needed to be kept for the most productive and effective activities.

84. That meant that, after the tenth session of the Board at the latest, the items on the agenda should take into account Member States' priorities and should therefore be reduced to a small number of main topics. Astonishingly, while deploring the length of the agenda, Member States were still at the same time adopting resolutions calling for additional reports to be submitted at the next session. Criticism of the Secretariat must not obscure the fact that responsibility for rationalizing the Board's proceedings rested with Member States. It should no longer be necessary for the Board to be forced to discuss a score of resolutions in a few days. In some organizations, draft resolutions had to be put in several weeks before the start of the session. In others, resolutions were given an order of priority and only the five most urgent were dealt with.

85. Ms. ANGELL-HANSEN (Norway) said that it was essential to rationalize the proceedings of UNIDO's governing bodies. The increase in recent years in the number of agenda items and associated documentation was not conducive to proper discussion. Accordingly, she found the proposals in the Secretariat paper useful. The approach whereby subjects would be grouped under main headings would allow for a more detailed as well as focused debate. Her delegation could also support the division of the agenda into two separate parts: first, agenda items needing substantive discussion and decision, which would be limited to three or four, and second, items consisting only of progress reports. Delegations would of course be free to comment on those if they so desired. However, they would not be the main subjects under consideration. In the case of the first set, the Secretariat could be requested to put forward questions which it regarded as being of particular importance and requiring consideration by Member States. That approach was used in other international bodies, such as the Development Committees of IMF and the World Bank. It would allow the Board to focus in a substantive manner on a more limited number of subjects and to give the Director-General and the Secretariat better guidance.

86. Under UNIDO's Constitution, there was supposed to be a division of labour between the governing bodies. That division should be applied in practice to a much greater extent. That would avoid a situation in which the same items were considered - in detail - first in the Programme and Budget Committee, then in the Board, and finally in the General Conference.

87. In future, the Board should avoid the extensive debate on housekeeping issues that had characterized the last General Conference. If Member States were unable to change that and focus instead on major policy issues, it would be very difficult to interest Governments in the work of UNIDO or to attract high-level participation in future General Conferences.

88. Mr. MBEGABOLAWE (Zimbabwe) said that the need to rationalize the Board's proceedings had been demonstrated again at the current session. The Board had been well behind with its agenda from the start, with the result that measures had had to be taken to allow the plenary to go through all the items in time for the informal consultations to be completed. The outcome could hardly be termed even a first reading and could well have had an adverse effect on the substantive debate in which all Members

wished to engage. There had been very little opportunity for a real exchange of views and the representatives of the Secretariat had had to cut down or forgo their introductions to items and replies to delegations' questions. That had reduced the potential for the thorough and concrete discussion of issues that had been urged by various policy-making bodies since the fourth General Conference.

89. His delegation welcomed the paper put out by the Secretariat and believed that the implementation of the recommendations in its paragraph 13 would go a long way towards rationalizing the Organization's activities. The Board must begin somewhere, even on a trial basis, and further proposals could be made at a later stage.

90. Mr. ALEXANDRENNE (Deputy Director-General, Department of External Relations, Public Information, Language and Documentation Services) said that some steps had already been taken to rationalize the work of the Board and of the General Conference, but that much remained to be done. Two main lines of thought had emerged which would allow the Secretariat to move towards further improvements. There was apparently a consensus on the Secretariat's recommendations in document IDB.9/13. The Secretariat could therefore examine the agenda of the next session of the Board on that basis, in the light of the suggestions made, and try to rationalize it so that debate could focus on the items most important to the Board. Other suggestions had been aimed at the medium term. A working group had been meeting on that issue since 1988. It should be asked to study the recommendations on the basis of the suggestions made and to put forward specific proposals for the future organization of work as soon as possible.

91. The PRESIDENT said that he would declare the discussion of the item in plenary meeting closed, on the understanding that it would be followed up in the informal consultations.

The meeting rose at 1.05 p.m.